

**QUARTERLY TASK  
ORDER PROGRESS AND  
COST REPORT**

**JULY TO SEPTEMBER  
2001**

**ARMENIA LOCAL  
GOVERNMENT  
PROGRAM**

Prepared for



Armenia Local Government Program  
U.S. Agency for International Development  
Contract No. EEU-I-99-00015-00, Task Order 807

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### ATTACHMENT

Cost Report

## **QUARTERLY TASK ORDER PROGRESS AND COST REPORT**

### **ARMENIA LOCAL GOVERNMENT PROGRAM**

**JULY TO SEPTEMBER 2001**

**Task Order No.:** EEU-I-99-00015-00 TO No. 807

**Date of Issuance:** January 18, 2000

#### **Task Order Description**

This Task Order will ensure that the technical assistance delivered in Armenia will increase government accountability and responsiveness to its citizens, provide more effective and transparent management systems, and increase the accessibility of government.

**Amount obligated under Task Order:** \$2,800,000

**Total potential Task Order amount:** \$4,205,721

**Dollars expended to date:** \$1,833,534

#### **Task Order Progress Report**

As required by Section F.5 of the Local Government Contract, below is a description of progress during the last quarter under the following task order.

#### **Work Performed During Previous Quarter**

The Local Government Project implementation plan comprises three core components:

- Legal Reform and Local Government Association Development
- Service Delivery Improvement in Municipalities
- Citizens Participation in Local Government Affairs

This section of the quarterly report presents the major activities accomplished during the third quarter of 2001.

#### **Key Deliverables**

##### ***Legal Reform***

- Draft orders for delegated powers to local governments
- Draft order on the maintenance of electoral registers for local governments

### *Service Delivery*

- Report on the minimum resources required for local governments to deliver their mandated functions
- Report on the aggregated budget for the City of Yerevan
- Training materials for the training of Yerevan Councilors in financial management policy and budgeting

### *Citizens Participation*

- Guide for cities on how to enhance opportunities for citizens to play a meaningful role in LGU decision making
- Reports from Participatory Urban Assessments in pilot cities

### *Apartment and Condominium Management*

- Draft Law on Apartment Management
- Draft sections on the Resource Guide for Local Government Management in Armenia

### **Program Summary**

**Input by USAID**—USAID agreed to support an initiative by LGP to provide funds for small projects in the pilot cities. Funding of such projects was not part of the prime contract between USAID and the Urban Institute. The funds will be made available in the last quarter of 2001 through a third party USAID contractor already undertaking public works projects in cities in Armenia. The initiative is a key component of the preparation and subsequent implementation of the capital investment plans in the cities. Very positive feed back was received for this initiative from the mayors of the pilot cities. No adjustments to the overall program are required to include this initiative.

### *Legal Reform*

- Hearings organized by the Government on the draft Law on Local Self-Government was completed.
- The law will be submitted to the National Assembly in October 2001 for the first reading. There has been a delay of one month in the presentation of the law to the National Assembly. Procedural issues and amendments to the Constitution have caused this delay.



- Discussions were held with the Ministry of Territorial Administration and donor agencies regarding the implementation of the Law on Local on Self-Government should it be passed in November 2001. The law provides for the creation of Inter-Community Unions, a new institutional structure.

### ***City of Yerevan Reform***

- A program is underway to enhance the capacity of councilors in financial management policy and budgeting. A training program has been prepared. Training of trainers using officers from the Yerevan Councilors Association has been undertaken. In October 2001 a training program will be held to train approximately 150 councilors representing the 12 districts of Yerevan in financial management policy and budgeting.
- Inter donor co-ordination meetings were held to complete the supply and installation of computer systems and software to improve financial management and transparency in the 12 districts of Yerevan.

### ***Fiscal Reform***

- LGP and City officials worked on a program to review the administrative and functional structure of Yerevan. The program developed an aggregated budget for the City of Yerevan (12 districts and the City Hall). The aggregated budget is approximately \$13 million. As a result of the analysis it is estimated that the funds available for city-wide functions i.e., those functions to be undertaken by the City Hall and not at district level will be \$1 million. The funds are transferred to the City Hall by the districts according to formulas set out in the Draft Law on Local Self-Government. Consultants are now working with the City Hall to determine costs to deliver the citywide functions and type of organizational structure required when the law on local self-government is adopted.
- Work continued on the development of land and property tax reform. Pilot cities are continuing develop systems for collecting land and property tax. For the year to date Sevan (39 percent), Ijevan (10 percent), Kapan (50 percent) and Jermuk (5 percent) have reported an increase in local tax collection (2000 compared to 2001). Mayors agree that the installation of the computerized management information systems and more accurate databases have contributed to the increase in the tax collection.

### ***Service Delivery Improvement in Municipalities***

- Participatory Urban Assessments (PUA) in all nine pilot cities to enable the cities to determine project priorities were completed. Citizen participation was conducted through the creation of Civic Action Groups in the districts of each pilot city. Citizen

participation in these activities was very high and their priority is the creation of employment opportunities.

- As a result of the completion of the PUA the process of capital planning has commenced in pilot cities. Training on 'How to prepare a capital plan' has been completed for the Civic Action Groups that participated in the PUA. In October 2001 training will be performed for City Hall executives in the preparation of capital investment plans. Following the training and the preparation of capital plans the cities will be able to participate in the financing of selected projects.
- Technical assistance in financial management and budgeting delivered by the Finance Officers Association, continued in the pilot cities. The Mayors of Yeghegnadzor and Gyumri were advised to improve work output and deliver month financial reports. Failure to do so would result in a reduced technical assistance and finance for capital projects.
- Pilot cities have completed asset management plans. The plans include the following categories for assets, public use, revenue generation and disposal.
- One hundred local government officers were trained in the Procurement Law and "How to be a good buyer".
- Thirty officials from the City of Ijevan completed computer training (Word, Excel, etc.).
- A compendium (electronic copy) of the laws of Armenia was installed in the pilot cities. Thus database has helped the cities present more accurate information to citizens.

### ***Citizens Participation in Local Government***

- Seven pilot cities continued with the implementation of Citizens Information Centers. The Information Centers are computerized and contain key databases that will enable citizens to obtain relevant information. Three cities (Ijevan, Sissian and Sevan) have used the computers and related software to publish local news letter/bulletins, etc.
- Citizens in the nine pilot cities formed Civic Action Groups and participated in the capital planning process. Citizens input in the capital planning process has lead to better prioritization of projects; one of the key priorities being the creation of employment opportunities.
- Meetings were held in the Earthquake cities (Vanadzor, Gyumri & Alaverdi) to support the registration of condominiums. Two condominiums have been registered



to support the USAID funded Earthquake Zone Recovery project component of allocating grants for apartment building improvements. Further training was carried out in the City of Yerevan for Condominium Associations on financial management to increase their ability to access funds from donor agencies for renovation and energy programs.

- The working group on Law on Apartment Management and Condominiums held regular workshops to prepare a wider Law on Apartment Management that will include condominiums as management option. The Government has recommended to the working group that all apartment blocks in Armenia must be managed in some form or another, hence the need for a wider Law on Apartment management. This is an innovative piece of legislation and should overcome the deficiencies in apartment management. The draft law would be presented to the National Assembly in February 2002.
- LGP held meetings with donor agencies to attract finance for Condominium Association projects and the set up of a housing fund. The World Bank is currently leading an initiative to finance energy projects for condominiums and apartment blocks. LGP contributed to a report on condominium development in Armenia for the World Bank's financing initiative.

### ***Manual for Local Government Management***

- Fact finding visits to pilot cities to the pilot cities were undertaken to better understand the capacity of LGU officials to enable LGP to determine the content of the manual, type and how it should be prepared.
- Work continues on the development of a Manual for Local Government Management.

### **Significant Findings and Delays**

**Findings**—LGP completed a program to better understand the aggregated budget for the City of Yerevan. The following conclusions were obtained:

- There is no standardized financial reporting form or template developed and used by local self-government units in the City of Yerevan. The reports provided by the communities have different level of details presented and are in different formats.
- Some of the district officials don't make a clear distinction between Operating and Capital Budgets.
- No audits are undertaken.

- Management Information Systems are weak and there is a need to computerize the financial management function.

To improve the situation LGP has initiated the installation of computers and related software, training in financial management, budgeting and financial management policy.

**Delays**—The passage of the Law of Local Self-Government through the National Assembly has been delayed by a month due to procedural issues and the Government's attention on the proposed amendments to the Constitution that should comply with the Council of Europe principles. This delay is beyond the control of LGP and will only impact on the component one of the program (legal reform). The other components, two and three (Service Delivery and Citizens Participation) will not be impacted.

### **Work Planned for Next Reporting Period**

This section of the quarterly report presents the major activities planned for the forth quarter of 2001.

#### ***Legal Reform and Local Government Association Development***

- Continue to work on LGU reform and integrate the work into the proposed legislative program for LGU reform:
  - Submission to the National Assembly to discussion—October 2001
  - Approval by National Assembly—October 2001
  - Signed by President in November 2001.
- Support the government on the passage of the Law of Local Self-Government through the National Assembly.
- Continue the training in the implementation of the Procurement Law in local governments.
- Continue to strengthen Local Government Associations (Union of Communities, Union of Yerevan Councilors and Finance Officers Associations) through business planning and the development of saleable products, specifically training courses and software.
- Support USAID and other implementers in the dissemination of amendments to the Constitution for the proposed referendum.

#### ***City of Yerevan Reform***

- Complete the installation of computer systems and software to improve financial management and transparency in the 12 districts of Yerevan.



- Commence technical assistance specifically related to financial management in the districts of Yerevan.

### ***Fiscal Reform***

- Continue to strengthen the pilot cities ability to collect and administer land and property tax.
- Continued to work on the harmonization of the key laws with the draft Law on Local Self-Government, especially the Law on Land and Property Tax.
- Support the government on the passage of the Law of Local Self-Government through the National Assembly.

### ***Service Delivery Improvement in Municipalities***

- Continue training and technical assistance for the implementation of computerized financial management software and Citizens Information Centers in pilot cities.
- Continue to work towards the installation of digital links between the City Halls and the local Treasury Offices to improve information flow and transparency.
- Continue to work on the preparation of asset management plans in the 12 districts of Yerevan.

### ***Citizens Participation in Local Government***

- Undertake training in pilot cities on condominium association development especially in the Earthquake Zone.
- Continue to prepare amendments to the Law on Apartment Management and Condominiums.

### ***Manual for Local Government Management***

- Continue to develop the Manual for Local Government Management.

### **Specific Action Requested**

Support is required from donor organizations to strengthen the information flow between the State Agencies (Cadastre, Treasury and State Revenue) and municipalities.

**Up-To-Date Schedule of Work**

- Drafting of the Law on Local Self-Government and submitting of the same to the National Assembly is proceeding according to plan.
- Technical assistance to local governments and Yerevan districts is proceeding according to schedule.
- The installation of citizens information centers and participation of citizens in local government decision making is proceeding according to plan.

***Program Issues*****The following Scopes of Work were prepared**

- Consultants to implement financial management systems in Yerevan.
- Consultants for additional training on condominium management in six districts of Yerevan.
- Consultants for additional training on condominium management in Earthquake Cities (Gyumri & Vanadzor).
- Consultants for the development and installation of legal software in the pilot cities.

**The following proposals were received**

- Consultants for additional training on condominium management in 6 districts of Yerevan.
- Consultants for additional training on condominium management in Earthquake Cities (Gyumri & Vanadzor).
- Quotations for the supply of computers for the districts of Yerevan.
- Consultants for the development and installation of legal software in the pilot cities.
- Consultants for assessing physical condition of housing stock in Kapan.

**The following contracts were closed**

- Consultants to undertake capital planning in pilot cities.



- Consultants to work on co-ordination between participatory urban assessments and capital planning.
- Consultants for additional training on condominium management in six districts of Yerevan.
- Consultants for additional on condominium management in Earthquake Cities.
- Supply of computer for Yerevan Districts.
- Consultants for the development and installation of legal software in the pilot cities.

**The following contracts were completed**

- National Association of Condominiums to perform training in condominium management in pilot regions.
- Scientific Research Center for City Management Systems to perform training in condominium management in six districts of Yerevan.
- American University of Armenia contracts on Citizens Information and Survey (Year 2000).
- Save-the-Children—Participatory Urban Assessments in pilot cities.
- Dilinet—Training in computers in Ijevan.
- Fine Ltd.—supply of computer systems for districts of Yerevan.

**Meetings**

**Monthly meetings**—USAID (October 10, 2000, November 6, 2000, December 6, 2000, February 6, 2001, March 7, 2001, April 7, 2001, May 9, 2001, June 7, 2001, July 21, 2001, September 6, 2001).

**Staff Travel**

- Advisers visited pilot cities to review progress and complete Participatory Urban Assessments for citizens' participation in capital planning.
- Advisers visited Yerevan City Hall to discuss the reforms for Yerevan City Hall.
- Advisers visited pilot cities to review the implementation of asset management systems to ensure accurate inventory of the assets.

- Advisers visited the Yerevan districts to discuss asset management plans.
- Advisers visited pilot cities monthly to discuss budgeting and financial management.

**Expatriate Visits**

- J. Meyer—Procurement Law Specialist
- D. Edwards—Training specialist
- P. Rosenberg—Specialist budgeting and financial management
- N. Nersesyan—Specialist in Budgeting, Barents, Washington
- C. Rabenhorst—Apartment Management Specialist
- B. Desilets—Technical Editor for Guide on Local Self Government

**Appointments**

- Nil

**Key Personnel**

- Carol Rabenhorst; 202-261-5767; csrabenh@ui.urban.org
- Malcolm Simpson, msimpson@compuserve.com